



February 2026  
4th Quarter

Concorde Investment Management

## Domestic Economy

### A Message from Concorde

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Late-2025 economic data present a mixed picture. On the surface, overall economic growth looked strong, but several underlying indicators point to emerging weaknesses and uncertainty about sustainability going into 2026.

Real-time estimates suggest the economy grew rapidly in the fourth quarter of 2025. The Atlanta Fed's GDPNow model estimated real GDP growth at about 5.4% annualized, driven mainly by solid consumer spending and a rebound in private investment. Retail sales during the holiday season were strong, and inflation remained moderate and stable, with consumer prices rising about 2.7% year over year in December.

However, the labor market showed clear signs of cooling. Job growth slowed sharply in 2025, with only about 584,000 jobs added for the entire year—far below recent norms. December saw a modest gain of just 50,000 jobs, and hiring weakened in sectors such as business and professional services. The unemployment rate remained relatively low at 4.4%, but overall momentum in employment was noticeably weaker than in prior years.

Household finances also appear more stretched. Consumers continued to spend, but much of that spending was supported by declining savings rather than faster income growth. The personal savings rate

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## Domestic Economy - continued

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fell to around 3.5% by late 2025, suggesting households may have less cushion if job growth or incomes soften further.

Looking ahead, many forecasts expect economic growth to slow meaningfully in 2026, even if no immediate recession occurs. Leading indicators and some academic and private-sector outlooks point to below-trend growth and elevated downside risks, with policy uncertainty cited as one possible factor. Recession probabilities in some estimates are higher

than normal, though far from certain.

Overall, the economy at the end of 2025 was not in crisis: growth and consumer activity remained solid, and inflation was under control. At the same time, weak job creation, reduced household savings, and expectations of slower growth suggest the expansion may be losing strength beneath the headline numbers. Upcoming official GDP data will help clarify how durable the late-2025 momentum really was.

## International Economy

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In Q4 2025, the international economy remained resilient despite global trade uncertainty stemming from U.S. tariff policies, though signs of moderation emerged. Many non-U.S. economies were supported by earlier export front-loading, but domestic demand softened toward year-end and regional divergences became more pronounced.

China's growth slowed to 4.5% year-on-year in Q4, its weakest pace in nearly three years. While China met its full-year growth target of around 5%, this was driven largely by a record trade surplus, masking underlying weaknesses such as falling property investment, weak consumer spending, and persistent deflationary pressures.

In Europe, the ECB kept interest rates unchanged for a fourth consecutive meeting, signaling caution and patience as inflation stabilized near target and growth

remained modest. The eurozone outlook improved slightly, but momentum stayed moderate.

Global institutions echoed a cautious tone. The IMF projected a gradual global slowdown, with growth easing from 3.3% in 2024 to just above 3% in 2025–26. Advanced economies were expected to grow slowly, while emerging markets continued to outperform overall, though unevenly.

Broader trends showed resilience outside the U.S., particularly in parts of Asia benefiting from supply-chain reallocation and strong exports. However, policy uncertainty, geopolitical risks, and weakening domestic drivers pointed to a more fragile outlook.

Overall, Q4 2025 marked a shift from export-led resilience toward a more subdued global growth environment heading into 2026, characterized by uneven recovery and heightened uncertainty across regions.

# Fixed Income

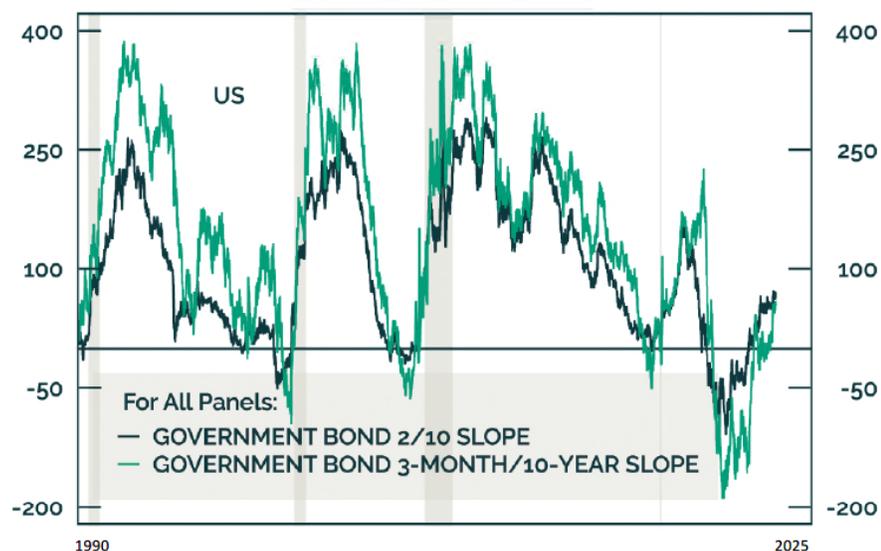
During the fourth quarter and early in the new year there have been a few adverse credit events that have income investors focusing on quality selection. These problem issues, including First Brands, TriColor, and Saks early in 2026 highlight the risks always present in credit, but as of now these appear to be somewhat isolated. It is likely that more credit risk in this cycle lies in private credit with the emergence of that sector for individual investor and advisor growth. With this trend, traditional commercial banks may have lower risk exposure and may help their profitability through the next cycle. Credit performance has been deteriorating for at least a year, concentrated in the less affluent income consumers. The current levels of late payments and defaults, however, are still not close to percentages reached in prior downturns/recessions.

All Treasury notes up to 10-year maturities ended the year with lower yields than where they started the year as the yield curve continued to steepen (see chart below).

Going forward, higher quality short term income securities in different sectors continue to represent the best value in the market and we continue to focus investing in areas including institutional pfd. stocks, residential mortgage back securities and select callable municipal issues.

Short term rates could go lower in 2026 as the Fed is likely to continue to cut rates, but this does not necessarily lead to lower medium to long term yields. Persistent inflation caused by many factors, and the well-advertised growing Federal debt appear to be keeping a floor under the longer yields. This has important implications for corporate fundraising, valuations for equity transactions and importantly for residential mortgage rates.

Overall, 2025 was a good year for fixed income investing in most sectors. Total returns for the last 3 years have reversed the widespread losses incurred in 2022 as yields reset to the current range after being suppressed for the good part of 10 years after the GFC.



# Equity Markets

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During the last quarter of 2025, there were moderating but mostly positive returns from most segments of the domestic equity markets. Performance continued to spread away from the Mag 7 and other very large capitalization stocks that have driven index returns since 2023. There has also been a greater diversity in sector performance as excellent results for 2025 include financials, industrials, health care and utilities. Admittedly, some individual stocks in the industrials and utilities sectors have risen in anticipation of technology/AI related buildout. Another interesting trend that continued in Q4 was good performance for value-oriented stocks. Part of this may be a reversion after many years of underperformance but fundamental results have been good recently and is being reflected in the market. All of these changes are generally good for managing diversified value portfolios as we do.

The international markets capped off an excellent year with another positive quarter. Both developed (think Europe and Japan) and emerging markets (think Asia, Latin America, Middle East) had gains of around

6-7% for Q4 and ended the year with low 30% total returns in US dollar terms. Returns were generally higher than local currency results as many currencies appreciated vs. the US dollar in 2025. Many large international companies, especially financials, have reported very good results leading to these returns. Looking forward, fundamentals will drive long term returns and we believe superior revenue growth, margins and free cash flow generation will be an investing advantage for most large domestically based businesses, many of which have significant international exposure.

Based on the increasing dispersion of returns in US markets and divergence in the individual performance within the MAG7 and other tech/AI driven equities (which we believe to be a healthy change), we appear to be evolving into a period where a more balanced equity portfolio across attractive sectors and individual stocks should produce good long term upside with moderate volatility.

## **Important Disclaimers**

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